



qualitative in nature, disguised barriers to trade or unnecessary impediments to imports. The goal is to obtain application of international standards and to increase access through such mechanisms as Mutual Recognition Agreements (MRAs).

Canada takes a similar approach to the numerous sanitary and phytosanitary (SPS) barriers applied to agricultural products in the Chinese market. China's SPS regulatory system continues to lack transparent rules and administration. The Canadian Food Inspection Agency is working closely with China on a number of SPS issues, particularly those relating to access for Canadian meat products, tobacco, seed potatoes and seed corn.

## **EXAMPLES OF PRODUCT-SPECIFIC MARKET ACCESS CONCERNS**

### **Telecommunications Equipment**

Sales of Canadian telecommunications equipment are doing well in China. However, there are some concerns about the process of tendering for the sale of such equipment. Moreover, the country's telecommunications regulator, the Ministry of Information Industry (MII), is also a supplier. It thus competes with imported products, as well as being the dominant carrier and customer. This creates the potential for undue influence on purchasing decisions. The MII has at times publicly requested that purchasers of telecommunications products favour locally produced equipment. There are also indications that exporters face additional standards to those that have been identified by China.

China maintains a ban on foreign involvement in domestic telecommunications operations. The MII actively encourages FDI and foreign technology, but does not allow foreign companies to invest in the telecommunications system itself. Entry into the equipment market is possible only through cooperation with Chinese equipment makers in Sino-foreign joint ventures, or by selling goods under an import tariff. Foreign firms can install but not operate telecommunications systems.

### **Newsprint**

In October 1997, China introduced a new variable tariff, with a steep inverse relationship to price, with base figure of US\$550 per tonne. This scale has

the potential of imposing tariffs of anywhere from 3 percent (for high-priced imports) to 45 percent (for imports on the low end of the price scale). This variable rate is intended to compensate for loss of revenue from price fluctuations and as a reaction to a dramatic drop in newsprint prices, which had led to imports being priced lower than domestically produced newsprint. Canada has discussed this tariff with China, and has expressed its strong concern as to its potential for distorting trade and production decisions.

### **Agricultural Tariff Rate Quotas (TRQ)**

China has announced its intention to implement a TRQ system for a number of agricultural imports. Twenty percent of the value of Canada's exports to China in 1997 could be affected by this new measure. It is therefore particularly important to Canada that this system be operated in as open, transparent, efficient and predictable a manner as possible, so that it does not distort trade. Canada is continuing to work closely with China to ensure that, if China proceeds, a TRQ system does not disadvantage Canadian agricultural products.

### **Pork and Beef**

In March 1997, Canada signed beef and pork import protocols with China. It was anticipated that these protocols would improve access for Canadian pork and beef. Unfortunately, no trade has taken place under the protocols. This is mainly due to continued uncertainty regarding Chinese import procedures for pork and beef and severe animal health restrictions for pork. Canada is continuing to call on China to clarify these procedures so that regularized trade can proceed as soon as possible.

### **SERVICES**

In the last few years, Canadian service-providers have gained increased access to the Chinese market. However, China continues to limit the operations of foreign-service companies through restrictions on where firms can operate and how many foreign firms can operate in certain sectors, and through regulations, including licensing requirements that discriminate against foreign-service firms. Canada is working as part of the accession process to moderate